

# HOUSE BILL REPORT

## E2SHB 1007

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### As Passed Legislature

**Title:** An act relating to creating a sustainable energy trust.

**Brief Description:** Creating a sustainable energy trust.

**Sponsors:** House Committee on Capital Budget (originally sponsored by Representatives Morris, Chase, Morrell, Lias, Anderson, Upthegrove, Seaquist, Hudgins and Moeller).

#### **Brief History:**

##### **Committee Activity:**

Technology, Energy & Communications: 1/26/09, 2/12/09 [DPS];

Capital Budget: 2/24/09, 2/27/09 [DP2S(w/o sub TEC)].

##### **Floor Activity**

Passed House: 3/9/09, 85-10.

Passed Senate: 4/3/09, 43-2.

Passed Legislature.

#### **Brief Summary of Engrossed Second Substitute Bill**

- Directs the Housing Finance Commission to develop and implement a sustainable energy trust program to provide financing for energy efficiency improvements.

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### HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives McCoy, Chair; Crouse, Ranking Minority Member; Carlyle, Eddy, Finn, Hasegawa, Hudgins, Jacks, McCune, Morris, Takko and Van De Wege.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Haler, Assistant Ranking Minority Member; Condotta and Herrera.

**Staff:** Scott Richards (786-7156)

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### HOUSE COMMITTEE ON CAPITAL BUDGET

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

**Staff:** Nona Snell (786-7153)

**Background:**

Housing Finance Commission.

The Housing Finance Commission (Commission) was established by the Legislature in 1983 to act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue revenue bonds and participate in federal, state, and local housing programs. In setting up the Commission, the Legislature sought to make available additional funds at affordable rates to help provide housing throughout the state.

The Commission is empowered to:

- issue bonds;
- invest in, purchase, or make commitments to purchase or take assignments from mortgage lenders of mortgages or mortgage loans;
- make loans to or deposits with mortgage lenders for the purpose of making mortgage loans; and
- participate fully in federal and other governmental programs.

**Summary of Engrossed Second Substitute Bill:**

Sustainable Energy Trust Program.

If economically feasible, the Housing Finance Commission (Commission) must develop and implement a Sustainable Energy Trust Program to provide financing for qualified improvement projects. In developing the Sustainable Energy Trust Program, the Commission must establish eligibility criteria for financing that will enable it to choose eligible applicants who are likely to repay loans made or acquired by the Commission and funded from the proceeds of Commission bonds.

The Commission is directed, if economically feasible, to:

- issue bonds for the purpose of financing loans for qualified energy efficiency and renewable energy improvement projects;
- participate fully in federal and other governmental programs and take actions that secure to itself and the people of the state the benefits of programs to promote energy efficiency and renewable energy technologies;
- contract with a certifying authority to accept applications for energy efficiency and renewable energy improvement projects, to review applications, including binding fixed price bids for the improvements, and to approve qualified improvements for financing by the Commission. For solar electric systems, the certifying authority

- must use an application certification process similar to the renewable energy investment cost recovery incentive application process; and
- consult with the Washington State University Energy Extension Program to determine which potential improvement technologies are appropriate, before entering into a contract with a certifying authority that is not the Washington Climate and Rural Energy Development Center.

No general fund resources may be expended to implement the Sustainable Energy Trust Program.

Definitions.

"Certifying authority" means: (a) for improvements involving solar electric systems, the Washington Climate and Rural Energy Development Center at Washington State University; or (b) for all other energy efficiency and renewable energy improvements, any utility company or other institution qualified to assess and certify the feasibility and benefit of energy efficiency and renewable energy improvements in a manner that is efficient and minimizes the amount of time or cost.

"Eligible applicant" means, with respect to the sustainable energy trust program, an owner of a residential, agricultural, commercial, state, or municipal property.

"Energy efficiency improvement" means an installation or modification that is designed to reduce energy consumption in residential, agricultural, commercial, state, or municipal properties. The term includes, but is not limited to: insulation; storm windows and doors; automatic energy control systems; heating, ventilating, or air conditioning and distribution system modifications or replacements in buildings or central plants; caulking and weather stripping; energy recovery systems; geothermal heat pumps; and day lighting systems.

"Qualified improvement" means an energy efficiency improvement which has been approved by a certifying authority or a net metering system as defined under the net metering statute.

"Net metering system" means a fuel cell, a facility that produces electricity and used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy, and that:

- has an electrical generating capacity of not more than 100 kilowatts;
- is located on the customer-generator's premises;
- operates in parallel with the electric utility's transmission and distribution facilities;
- and
- is intended primarily to offset part or all of the customer-generator's requirements for electricity.

"Renewable energy" is defined under the net metering statute to mean energy generated by a facility that uses water, wind, solar energy, or biogas from animal waste as a fuel.

**Appropriation:** None.

**Fiscal Note:** Requested on February 28, 2009.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Technology, Energy & Communications):**

(In support) Homeowners and utilities would be provided with a resource to allow them to install new distributed energy generation technologies. This bill is modeled on the Berkley, California model. In Berkley, homeowners voluntarily levy their property tax assessment for a certain amount to pay for a solar electric system. The City of Berkley sells bonds that pay for the unit and the homeowner pays the cost of the unit on a monthly basis over a number of years. There is a great amount of efficiency to be gained by creating a state system rather than establishing programs on a city by city basis. There is work that needs to be accomplished on how to set up the bonding part of the policy.

(In support with concerns) This bill is the missing piece of the renewable energy puzzle. A voluntary finance program is the next step in accelerating deployment of these technologies.

(Opposed) None.

**Staff Summary of Public Testimony (Capital Budget):**

(In support) The concept of selling bonds for renewable and conservation energy projects makes sense for a statewide program. This allows the consumer to borrow money for the projects. The Housing Finance Commission would assist by assuring the recovery of payments. There is a possibility of using tax exempt bonds, but taxable bonds may need to be used as well. This would be a voluntary program. Comingling of private and public funds could be deemed unconstitutional. Stakeholder groups are examining if the projects can be done without so much overhead. The technologies need to be analyzed by Washington State University (WSU) or the utilities to make sure the technologies have benefit. This will benefit users by saving money. This would not impact the state's credit, debt, or General Fund. The WSU Extension Energy Program currently certifies solar systems. There is a struggle to fund upfront costs for renewable energy projects. Not all of the public utilities participate in current programs.

(Opposed) None.

**Persons Testifying (Technology, Energy & Communications):** (In support) Representative Morris, prime sponsor; and Naomi Meyer, Washington State Legislative Youth Advisory Council.

(In support with concerns) Carrie Dolwick, Northwest Energy Coalition.

**Persons Testifying (Capital Budget):** Representative Morris, prime sponsor; Kim Herman, Housing Finance Commission; and Jake Fey, Washington State University Extension Energy Program.

**Persons Signed In To Testify But Not Testifying (Technology, Energy & Communications):** None.

**Persons Signed In To Testify But Not Testifying (Capital Budget): None.**